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C O N F I D E N T I A L SECTION 01 OF 02 LJUBLJANA 000496

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STATE FOR EUR/NCE

E.O. 12958: DECL: 11/04/2018
TAGS: [ECON](#) [PREL](#) [ETRD](#) [ENRG](#) [EINV](#) [PINR](#) [SI](#)
SUBJECT: KEY SLOVENIAN ECONOMIC ADVISOR IDENTIFIES AREAS OF
POSSIBLE COOPERATION

REF: LJUBLJANA 487

Classified By: Amb. Yousif B. Ghafari, Reasons 1.4 (b,d)

Summary

¶1. (C) At a November 4 meeting with the Ambassador, former Slovenian Central Bank Chair Mitja Gaspari, who will oversee the Ministries of Finance, Economy and Labor in the new government, stressed that the incoming government would like to continue good bilateral relations with the U.S. Gaspari identified the classic sectors of energy, transport, communications and finance as possible areas for partnerships. He acknowledged that the financial crisis would affect possible areas of cooperation, predicting that some Slovenian industries would close and unemployment would likely rise to six percent. He noted that the new government would likely sign on to South Stream, as long as it made financial sense. The government would also give priority to physical infrastructure and promoting research and development in its national development plan. Gaspari predicted that the new government would be in place between November 15 and 25. End Summary.

Transatlantic Economic Relations: Increase Cooperation

¶2. (C) Gaspari agreed with the Ambassador about the need to build economic cooperation. Gaspari remarked that he hoped Slovenia was now better developed and prepared to attract FDI, although he acknowledged that the financial crisis had negative implications for FDI. He emphasized that the new government would like to see greenfield investments. He also named other opportunities for cooperation: the future partial privatizations of Slovenia Telecom and the electricity grid, the financial sector (mentioning both Ljubljanska Bank and the insurance company Triglav), and infrastructure. He emphasized that Luka Koper (Slovenia's only seaport) and the railways would look for potential partners from abroad.

Global Financial Crisis to Increase Slovenia's Unemployment

¶3. (C) Gaspari said that he expected that Slovenia would not be hit as hard as other parts of Europe by the global financial crisis, explaining that it was not affected by the housing crisis. Nevertheless, he predicted that Slovenia's industries would likely see growth rates decrease to only about three percent instead of the five to six percent of the last several years. In addition, he noted that some Slovenian industries operating on the margins would close, affecting up to 50,000 Slovenes. The automotive, textile, housing, and construction industries would be hardest hit. He foresaw the unemployment rate increasing from about 4.5

percent to 6 percent. He added that the social transfers that were part of Slovenia's system would necessitate a strict fiscal policy. He said he expected that Parliament would enact legislation next week amending the Law on Public Finance to allow the government to borrow more to make additional financial resources available, both for guarantees to banks and additional liquidity to banks, if necessary (reftel).

Priorities of Incoming Government

14. (C) Although his role in the new government has not been officially announced, Gaspari stated that he would be responsible for the Ministries of Finance, Economy and Labor, as well as Slovenia's OECD accession process and some negotiations regarding European Affairs. He commented that the outgoing government had had too many priorities, and the new government would concentrate on high technology, research and development, education, and physical infrastructure. He again specified railways and Luka Koper as infrastructure priorities. He suggested that Slovenia needed to develop quality cooperation among research institutions and enterprises. The government would make transforming the technology agency into a viable institution a priority and would also focus on empowering the SID Bank, Slovenia's development bank/export credit agency. Gaspari said that the new government would try to spend 2 percent of its GDP on the military per NATO requirements, but that the number was likely to be about 1.5% in 2009; the percentage in 2010 would depend on the international economic environment. He explained that new and high technologies, both in the

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military sector and elsewhere, would be the new government's priority.

15. (C) Gaspari commented that the incoming government saw no obstacle to signing on to South Stream if it were financially reasonable. Finally, he noted that Slovenia would continue on its OECD accession process and he hoped that Slovenia could finalize its accession within six to eight months.

Comment

16. (C) Gaspari is a thoughtful, knowledgeable, and well-informed interlocutor, whom we believe will be very influential on economic issues in the incoming government. He has a reputation as a relatively liberal, free-market economist and fiscal conservative, which may serve to impose fiscal discipline. He is open and friendly to the U.S. and indicated his door was always open. He also suggested close cooperation on potential projects at the outset to lay the necessary groundwork for a successful deal.

GHAFARI